

TOWNSHIP CODE ENFORCEMENT DEPARTMENT
PINCONNING, MICHIGAN

FINANCIAL REPORT
FOR THE YEAR ENDED MARCH 31, 2004

INTRODUCTORY SECTION

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Members of the Board of Directors
Township Code Enforcement Department
Pinconning, Michigan

Independent Auditor's Report

We have audited the accompanying financial statements of the Township Code Enforcement Department, Michigan, as of and for the year ended March 31, 2004, as listed in the table of contents. These financial statements are the responsibility of the Township Code Enforcement Department's, management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1(A), the financial statements present only the Township Code Enforcement Department Fund (a special revenue fund) and is not intended to present fairly the financial position and results of operations of any of the participating municipality's, in conformity with accounting principles generally accepted in the United States of America.

In our opinion the financial statements referred to above present fairly, in all material respects, the financial position of the Township Code Enforcement Department, Michigan, as of March 31, 2004, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Barry E. Gaudette, CPA, P.C.

May 7, 2004

FINANCIAL STATEMENTS

TOWNSHIP CODE ENFORCEMENT DEPARTMENT
BALANCE SHEETS
SPECIAL REVENUE FUND AND ACCOUNT GROUP
MARCH 31, 2004

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	<u>Special Revenue Fund</u>	<u>General Fixed Asset Account Group</u>
<u>ASSETS</u>		
Cash	\$ 37,153	\$
Furniture & fixtures		4,095
Office equipment		<u>1,950</u>
TOTAL ASSETS	<u>\$ 37,153</u>	<u>\$ 6,045</u>
 <u>LIABILITIES & FUND EQUITY</u>		
LIABILITIES:		
Accounts payable	\$ 2,016	\$
Accrued expenses	<u>519</u>	
TOTAL LIABILITIES	<u>2,535</u>	
 FUND EQUITY:		
Investment in general fixed assets		6,045
Fund Balance:		
Unreserved	<u>34,618</u>	
TOTAL FUND EQUITY	<u>34,618</u>	<u>6,045</u>
 TOTAL LIABILITIES & FUND EQUITY	 <u>\$ 37,153</u>	 <u>\$ 6,045</u>

See notes to financial statements

Totals (Memorandum Only)

March 31,	
<u>2004</u>	<u>2003</u>
\$ 37,153	\$ 25,058
4,095	4,095
<u>1,950</u>	<u>1,950</u>
<u>\$ 43,198</u>	<u>\$ 31,103</u>

\$ 2,016	\$
<u>519</u>	<u>479</u>
<u>2,535</u>	<u>479</u>

6,045	6,045
<u>34,618</u>	<u>24,579</u>
<u>40,663</u>	<u>30,624</u>

<u>\$ 43,198</u>	<u>\$ 31,103</u>
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TOWNSHIP CODE ENFORCEMENT DEPARTMENT
STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE

SPECIAL REVENUE FUND

FOR THE YEAR ENDED MARCH 31, 2004

		Totals (Memorandum Only)	
	Governmental Fund Type <u>Special</u>	Year Ended March 31, 2004	2003
REVENUES:			
Licenses and permits	\$105,815	\$105,815	\$ 99,352
Operating fees	9,650	9,650	9,600
Interest	162	162	301
Other	<u>3,255</u>	<u>3,255</u>	<u>1,793</u>
TOTAL OPERATING REVENUES	<u>118,882</u>	<u>118,882</u>	<u>111,046</u>
EXPENDITURES:			
Inspectors	83,056	83,056	72,390
Wages	12,022	12,022	14,958
Building rent	2,400	2,400	1,500
Contract labor - clerical	2,085	2,085	
Payroll taxes	2,029	2,029	4,138
Insurance	2,016	2,016	1,720
Cellular phones	1,518	1,518	3,671
Telephone and fax	1,286	1,286	2,023
Office supplies	898	898	1,333
Audit	550	550	450
Permit refunds	330	330	173
Capital outlay	297	297	679
Flood certifications	145	145	160
Dues and subscriptions	136	136	345
Miscellaneous	75	75	161
Liquor license inspections			<u>40</u>
TOTAL OPERATING EXPENSES	<u>108,843</u>	<u>108,843</u>	<u>103,741</u>
NET INCOME (LOSS)	10,039	10,039	7,305
FUND BALANCE, beginning	<u>24,579</u>	<u>24,579</u>	<u>17,274</u>
FUND BALANCE, ending	<u>\$ 34,618</u>	<u>\$ 34,618</u>	<u>\$ 24,579</u>

See notes to financial statements

TOWNSHIP CODE ENFORCEMENT DEPARTMENT
STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
SPECIAL REVENUE FUND
FOR THE YEAR ENDED MARCH 31, 2004
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	<u>Amended Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES:			
Licenses and permits	\$ 86,296	\$105,815	\$ 19,519
Operating fees	10,000	9,650	(350)
Interest	310	162	(148)
Other	<u> </u>	<u>3,255</u>	<u>3,255</u>
TOTAL OPERATING REVENUES	<u>96,606</u>	<u>118,882</u>	<u>22,276</u>
EXPENDITURES:			
Inspectors	71,080	83,056	(11,976)
Wages	8,595	12,022	(3,427)
Building rent	3,000	2,400	600
Contract labor - clerical	1,100	2,085	(985)
Payroll taxes	1,915	2,029	(114)
Insurance	1,700	2,016	(316)
Cellular phones	385	1,518	(1,133)
Telephone and fax	1,000	1,286	(286)
Office supplies	931	898	33
Audit	490	550	(60)
Permit refunds	200	330	(130)
Capital outlay	900	297	603
Flood certifications	145	145	
Dues and subscriptions	100	136	(36)
Miscellaneous		75	(75)
Postage	<u>175</u>	<u> </u>	<u>175</u>
TOTAL OPERATING EXPENSES	<u>91,716</u>	<u>108,843</u>	<u>(17,127)</u>
NET INCOME (LOSS)	4,890	10,039	5,149
FUND BALANCE, beginning	<u> </u>	<u>24,579</u>	<u>24,579</u>
FUND BALANCE, ending	<u>\$ 4,890</u>	<u>\$ 34,618</u>	<u>\$ 29,728</u>

See notes to financial statements

, TOWNSHIP CODE ENFORCEMENT DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2004
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NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Township Code Enforcement Department have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Government Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the Township Code Enforcement Department are described below.

A. Reporting Entity

The Townships of Gibson, Pinconning, Garfield, Fraser, Mt. Forest and the City of Pinconning comprise the Township Code Enforcement Department. An Interlocal Agreement (Michigan Urban Cooperation Act of 1967) has been adopted and bound by agreements signed by each municipality effective November 1, 2000. It was established for the purpose of administering and enforcing certain construction codes and other ordinances as adopted by each of the participating municipalities; to hire competent inspectors and other personnel necessary to accomplish the foregoing; to establish appropriate policies and rules for the township code enforcement program; to arrange for (1) convenient location where records can be maintained and permits and inspections may be obtained; and to maintain books of account for all receipts and expenditures.

Each participating municipality shall select a representative to the Township Code Enforcement Board. Representatives shall elect four (4) persons to serve as Director, Vice-Director, Treasurer and Secretary, with the remaining representatives to serve as Trustees, as more municipalities would join, their representatives would serve as Trustees on the Board. This would be known as the Executive Board and the officers will serve for one year, with election of officers to be held annually. The Township or City representative will remain on the Board until replaced by the represented township.

B. Basis of Presentation

The accounts of the Township Code Enforcement Department are organized on the basis of a fund and one account groups, each of which is considered to be a separate accounting entity. The operations of each are accounted for with a separate set of self-balancing accounts which are comprised of each one's assets, liabilities, fund balance, revenues and expenditures.

TOWNSHIP CODE ENFORCEMENT DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2004
(Continued)

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NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

B. Basis of Presentation (continued)

Government resources are allocated to and for the individual fund based upon the purposes for which they are to be spent and the means by which spending activities are controlled. Following is a description of the fund type and account group:

Governmental Fund Type

These funds are those through which most governmental functions typically are financed. The focus of Governmental Fund measurement is upon determination of financial position and changes in financial position (sources, uses and balances of the financial resources) rather than upon net income. The following is a description of the Governmental Fund Type of the Township Code Enforcement Department:

Special Revenue Fund

The Special Revenue Fund is the general operating fund of the Department. It is used to account for all financial resources except those required to be accounted for in another fund. Revenues are derived primarily from building, electric, mechanical, and plumbing permits.

Account Group

Account Groups are not funds; they do not reflect available financial resources and related liabilities, but are accounting records of the following:

General Fixed Asset Account Group

The General Fixed Asset Account Group is used to maintain control and cost information for all fixed assets of the District utilized in its general operations. Expenditures for fixed assets are shown as expenditures in the General Fund and added to the General Fixed Asset Account Group. No depreciation is taken on these assets.

Measurement Focus: The Accounting and reporting treatment applied to the fixed assets associated with a fund are determined by its measurement focus. Governmental funds are accounted for on a spending or "financial flow" measurement focus. This means that only current liabilities are generally included on their balance sheets. Their reported fund balance

TOWNSHIP CODE ENFORCEMENT DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2004
(Continued)

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NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

B. Basis of Presentation (continued)

Account Group (continued)

General Fixed Asset Account Group (continued)

Measurement Focus (continued):

is considered a measure of "available spendable resources". Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

C. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

Modified Accrual

The Governmental Fund Type (Special Revenue Fund) is accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred.

Taxpayer-assessed income, gross receipts and sales taxes are considered "measurable" when in the hands of intermediary collecting governments and are recognized as revenue at that time. Anticipated refunds of such taxes are recorded as liabilities and reductions of revenue when they are measurable and their validity seem certain.

TOWNSHIP CODE ENFORCEMENT DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2004
(Continued)

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NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

D. Cash and Cash Investments

Deposits are carried at cost. Deposits of the Department are at one bank and in the name of Township Code Enforcement Department. Act 217, P.A. 1982, authorizes the Department to deposit and invest in the accounts of federally insured banks, insured credit unions and savings and loan associations; bonds and other direct obligations of the United States, or an agency or instrumentality of the United States; United States Government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the three highest classifications by not less than two standard rating services, which mature not more than 20 days after the date of purchase, and which involves no more than 50 percent of any one fund; mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

E. Inventories

Materials and supplies are expensed as purchased.

F. Property, Plant and Equipment

All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated fixed assets are valued at their estimated fair value on the date donated.

A summary of the changes in general fixed assets follows:

	03/31/03 <u>Balance</u>	Additions <u>(Deductions)</u>	03/31/04 <u>Balance</u>
Furniture & Fixtures	\$ 4,095	\$	\$ 4,095
Office Equipment	<u>1,950</u>	<u> </u>	<u>1,950</u>
Total Fixed Assets	<u>\$ 6,045</u>	<u>\$</u>	<u>\$ 6,045</u>

G. Accumulated Fund Deficits

There were no accumulated fund deficits in the individual funds at March 31, 2004.

TOWNSHIP CODE ENFORCEMENT DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2004
(Continued)

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NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

H. Accrued Vacation and Sick Leave

The Township Code Enforcement Department does not maintain a policy providing accrued vacation and sick leave for its employees.

I. Budgets

Annual operating budgets are adopted by the Township Code Enforcement Department Board for the Special Revenue Fund in accordance with Public Act 621 of 1978.

The Township Code Enforcement Department follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. The Board submits a proposed operating budget for the fiscal year commencing the following January 1st. The operating budget includes proposed expenditures and the means of financing them for the Special Revenue Fund.
- b. Public hearings are conducted by the Board to obtain taxpayer comments.
- c. Prior to March 31st, the budget is legally enacted on a departmental (activity) basis through passage of an appropriations act.
- d. Budget amendments are made by the Board as the need arises during the year.
- e. Formal budgetary integration is employed as a management control device during the year for all budgetary funds. Also, all budgets are adopted on a basis consistent with generally accepted accounting principles.
- f. Budget appropriations lapse at year end.

TOWNSHIP CODE Enforcement Department
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2004
(Continued)

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NOTE 2: CASH AND CASH INVESTMENTS

The Township Code Enforcement Department's deposits are in accordance with statutory authority. The GASB Statement No. 3 risk disclosure for the Department's cash deposits are as follows:

	<u>Per Book</u>	<u>Per Bank</u>
Insured (FDIC)	\$ 37,153	\$ 37,971
Uninsured:		
Uncollateralized	_____	_____
Total	<u>\$ 37,153</u>	<u>\$ 37,971</u>

NOTE 3: EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS

P.A. 621 of 1978, Section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the Department's actual expenditures and budget expenditures for the budgetary funds have been shown on a functional basis. The approved budgets of the Department for these budgetary funds were adopted to the activity level.

During the year ended March 31, 2004, the Township Code Enforcement Department incurred expenditures in the Special Revenue Fund which were in excess of the amounts appropriated in the amount of \$17,127.

NOTE 5: RETIREMENT PLAN

The Township Code Enforcement Department does not provide a pension plan for its employees.

NOTE 6: INDIVIDUAL FUND PRESENTATION

The Special Revenue Fund is the only fund of its individual fund kind. Therefore, it is not presented in a combining statement in the supplemental data portion of this report.

TOWNSHIP CODE ENFORCEMENT DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2004
(Continued)

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NOTE 7: RELATED PARTY TRANSACTIONS

Nothing came to our attention during the audit effort that would warrant separate mention related to transactions between the Fire Department and its employees and/or elected officials.

NOTE 8: SUBSEQUENT EVENTS

No subsequent events have come to our attention that require disclosure at this time.

NOTE 9: COMPARATIVE DATA

Comparative total data for the prior year has been presented in the accompanying financial statements in order to provide an understanding of changes in the Township Enforcement Department Code's financial position and operations. However, comparative (i.e. presentation of prior year totals by fund type) data have not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read.

NOTE 10: TOTAL COLUMNS ON COMBINED STATEMENTS - OVERVIEW

Total columns on the Combined Statements - Overview are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

COMMENTS AND RECOMMENDATIONS

Barry E. Gaudette, CPA, P.C.

CERTIFIED PUBLIC ACCOUNTANT

1107 East Eighth Street
Traverse City, Michigan 49686
(231) 946-8930
Fax (231) 946-1377

Members of the Board of Directors
Township Code Enforcement Department
Pinconning, Michigan

Our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

This letter supplements the information in the Financial Statements and Notes to Financial Statements. It is intended solely for the use of management and should not be used for any other purpose.

Barry E. Gaudette, CPA, P.C.

May 7, 2004